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NEWS BRIEFS

Food costs ease; industry sales slow

WASHINGTON — Foodservice operators got a break in March, when wholesale food costs eased after two consecutive months on the rise, but sales at eating and drinking places softened during the same time frame, the Department of Commerce reported.

In the department's monthly producer price index, wholesale food costs rose 4.9 percent in March — on a year-to-year unadjusted basis — offering some relief from the 6.1- and 5.9-percent year-to-year increases notched in February and January, respectively.

Sales at eating and drinking places rose 5.6 percent in March on an unadjusted annual basis, a rate slower than February's 6.5-percent uptick.

The higher wholesale food prices in January and February reflected the cost of damaged crops during the late December cold wave in the South. Between February and March, however, wholesale food costs dropped less than 1 percent.

Southland sells 56 7-Elevens, settles discrimination suit

DALLAS — The beleaguered Southland Corp. has agreed to sell 56 7-Eleven convenience stores in the Memphis, Tenn., market to Mapco Petroleum Inc. — a Tulsa, Okla., service station chain — for an undisclosed amount.

In an unrelated matter, two federal arbitration cases — one finding Southland guilty; the other, not guilty — resulted in the company's paying a $700,000 fine to settle a racial discrimination case brought by some black franchisees, who alleged their expansion plans in some Los Angeles neighborhoods were restricted by the company.

Under terms applied by Southland's lenders, net proceeds from the sale to Mapco will be applied to the company's long-term debt.

Southland, which lost more than $1 billion in its fourth quarter and is burdened with more than $1.8 billion in debt as a result of its 1987 leveraged buyout, said that if its lenders and bondholders do not approve a complex restructuring plan, it may be forced to file for bankruptcy.

Romano to launch Tex-Mex concept

NEW YORK — Philip Romano, creator of Fuddruckers and Romano's Macaroni Grill, is planning to launch a Tex-Mex fast-food chain called Texas Tortilla Bakery here this summer.

The concept, four units of which are planned, will offer such dishes as fajitas, soft tacos made with flour tortillas, burritos and refried beans. The concept will sport a "rural" look and feature a display of fresh chilies, fruit, vegetables and other products.

Earlier this year Texas Tortilla Bakery — of which Romano owns 20 percent — purchased Peso's Inc., the operator of four Mexican fast-food units in Manhattan. Texas Tortilla president Arthur C. Powers said those units will be converted to Texas Tortillas.

Teens charged in murder of Domino's manager

LARGO, Md. — Two boys, described as model teen-agers and good students in this middle-class Washington suburb, have been charged as adults in the robbery and murder of a 25-year-old Domino's Pizza store manager, who had been lured to an abandoned home and then shot to death.

Prince George's County police said the boys — 16 and 17 years old — were charged with first-degree murder in the shooting of Carl Krogmann, a Domino's store manager who was delivering pizza April 7.

Police said Krogmann had taken an order to a vacant but well-kept home during his Saturday night shift. Sensing something was wrong when he knocked at the front door, Krogmann walked back to the car and gave his girlfriend most of the cash he was carrying and returned to the house.

On the return, Krogmann was shot once in the chest. He ran to the car but collapsed before he could get away.

Feds warn of hepatitis risk

ATLANTA — Federal health officials have issued a warning against the consumption of raw shellfish and urged restaurant workers to wear gloves to help fight an upsurge in hepatitis A cases.

The Centers for Disease Control said the feces-transmitted liver disease, a viral infection that causes severe, flulike symptoms, has increased 58 percent over six years, with 7.3 percent of the cases linked to food-handling or raw shellfish.

Restaurant personnel can lessen the risks of infecting themselves and others by wearing gloves, said the CDC, which urged that all shellfish suspected of coming from contaminated waters be cooked.

Quik Wok explores buffet, delivery and supermarkets

IRVING, Texas — Quik Wok, the 12-unit Chinese chain, is testing buffet and delivery service and is eyeing supermarket locations.

In addition, the chain has inked its first franchise agreement with Dallas operator Scott Sheu, owner of three full-service Chinese restaurants and the three-unit Egg Roll U.S.A. chain. Sheu, who plans to open 16 Metroplex units within five years, took over a company Quik Wok in Lewisville, Texas, and added a 20-item, all-you-can-eat buffet.

Encouraged by the success of Sheu's buffet, the company is testing buffet variations in two San Antonio stores and may add it to future stores.

Meanwhile, the former Pillsbury chain is testing delivery from a San Antonio restaurant and is considering teaming with supermarkets to open in-store units.

McD warns papers not to rerun ad

OAK BROOK, Ill. — McDonald's legal counselor has warned several newspapers that rerunning an advertisement criticizing the chain's food would be "considered malicious."

The correspondence asserted that the ad would cause McDonald's "injury" but did not explicitly threaten legal action.

The ad, headlined "The Poisoning of America," claimed that McDonald's precooked hamburger meat had a fat content of 21.5 percent. McDonald's said the allegation was incorrect and countered that the fat content is 17 percent to 19.5 percent.

"Instead of addressing the real issues: one, why they use beef tallow in cooking their french fries, and two, why they do not reduce the fat content of their hamburgers, McDonald's has chosen to try to intimidate the nation's leading newspapers," stated Phil Sokolof, the Omaha, Neb., businessman who placed the ad in several major newspapers.

Karcher to sell Ariz. Carl's Jr.'s

ANAHEIM, Calif. — Carl Karcher Enterprises Inc. said it wants to sell or franchise its 40 company Carl's Jr. units in Arizona, blaming the Arizona market for one of the company's worst quarterly performances.

In its fourth quarter ended Jan. 29, Karcher lost $8.9 million on revenues of $116 million. The company attributed the shortfall to the $5 million it loses annually by maintaining a chain presence in Arizona. Karcher Enterprises said it is holding $14.5 million in reserve to cover its exit from Arizona.

Marriott forays into hospital linens

WASHINGTON — In another expedition into a new field, Marriott Corp., the hospitality giant based here, has teamed up with a textile concern to distribute recyclable, sterile surgical linens to health-care facilities.

Marriott's giant contract feeding division, Food & Services Management, deals with a number of hospitals and medical centers. The new joint venture, called Repak Surgical Co., is striving to supply many of the same establishments.

Last year the company made a similar move by buying an office-cleaning service. The new business was acquired to serve as a complement to Marriott's extensive business-and-industry feeding operations.

FINANCIAL NEWS

Marriott to open Dunkin' units in clients' food operations

by Bill Carlino

WASHINGTON — Marriott Food and Services Management, the non-commercial feeding arm of Marriott Corp., has agreed to open freestanding, franchised kiosks of the 1,800-unit Dunkin' Donuts chain within clients' feeding operations.

In addition, Marriott has created a new division that will manage golf-course facilities, including the feeding operations.

The Dunkin' outlets, which are slated for Marriott's college, business and industry, and health-care clients, will resemble self-service display cases, where customers select items and pay at a "common" register in the foodservice facility.

"We expect the first units to be in place sometime in June," said Pat McDermott, Marriott's vice president of branding and special projects. "The first Dunkin' franchises will be rolled out in the Boston and Washington, D.C., markets."

The contract with Dunkin' Donuts marks the second franchise agreement with a national fast-food chain for the company's Food and Services Management Division.

Last year Marriott teamed with the Wichita, Kan.-based Pizza Hut and now has subsequently rolled out more than 100 Pizza Hut Express kiosks in its college and business-and-industry accounts.

Currently, the hospitality conglomerate has several franchises of Dunkin' Donuts in its Travel Plazas Division.

"Marriott is continually looking to franchise fast-food concepts," said McDermott, who declined to say whether the Food and Services Division was now in negotiations to secure additional brands.

The new golf division, titled Marriott Golf, will market its services to developers of freestanding, public or private courses or any commercial or resort development.

"This is a business approach to golf," said Roger Maxwell, vice president of golf operations and development. Maxwell will head Marriott Golf. "We're [Marriott] already the largest operator of resort golf in the United States."

Among the services offered by Marriott Golf are course and pro shop management, agronomic supervision, food and beverage management, marketing and accounting.

Marriott owns and operates 440 holes of golf in 16 locations both domestically and in Bermuda. Maxwell added that Marriott plans to open two additional courses this year — at the company's Wind Watch resort in Happauge, N.Y., and outside a Marriott property in San Marco Island, Fla.

> "Marriott is continually looking to franchise fast-food concepts."

Southland expects losses until '93

by Milford Prewitt

DALLAS — Even if Southland Corp. successfully restructures its $1.8 billion in debt, it does not expect to make a profit until 1993, according to documents filed with the Securities and Exchange Commission.

In a preliminary prospectus outlining its elaborate plan to exchange its publicly traded debt for new debt, the 7-Eleven operator projected net losses of $156 million in 1990, $61 million in 1991 and $9 million in 1992 before turning a profit of $38 million in 1993.

The prospectus assumes that the company will complete its complex bond exchange program while simultaneously maintaining capital and advertising expenditures.

For the year ended 1989, the McDonald's of the convenience store industry — operating 3,500 7-Eleven stores of 7,000 — lost $1.3 billion. In forecasts in the filing document Southland also expects to sustain negative cash flow between 1991 and 1993, turning to break-even levels between 1994 and 1997.

For 1990 cash flow is expected to be positive, largely because the company is selling off units and because its stake in Citgo Petroleum was sold earlier this year.

FOOD PRICE OUTLOOK

Alaska predicts lower salmon catch

by Patt Patterson

Alaska is projecting a **salmon** catch lower than last year's but higher than those of the two previous years. The drop will affect mostly canned salmon prices. The fresh salmon market is being swiftly taken over by farmed fish from the Pacific Northwest, South America and Europe.

Supplies of imported **cod** are improving, with prices lower than they were the last quarter of 1989. However, inventories are not considered sufficient for preventing a seasonal run-up in summer, when demand increases and catches drop off. **Haddock** and Atlantic **pollock**, particularly from Canada, are in tight supply. Alaska (Pacific) pollock are gaining popularity with many operators, since supplies are good and prices not so high as for the Atlantic version.

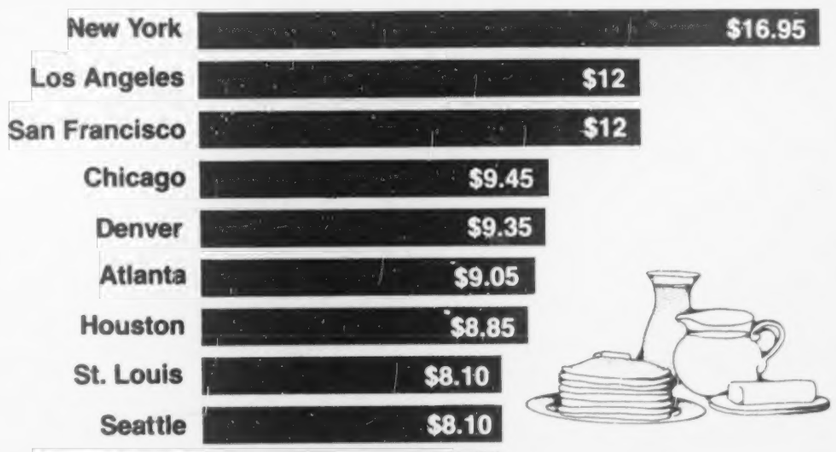
Don't forget **cheese** prices are expected to surge again this summer. The commercial **milk** supply doesn't look all that good yet. **Butter**, on the other hand, is riding well under last year's prices, although demand is up. Stocks are strong, although production has increased at only one-fifth the rate of demand.

Lettuce supplies for the late spring and early summer seem good, with Salinas Valley planting, and cultivation in full swing. **Broccoli** prices have been below production costs. **Cauliflower** prices are lower on weaker demand.

FACT FILE

On the road again

Average cost of a full American breakfast at hotels frequented by business travelers, including tax and tip, based on prices at several hotels in each city between July 1989 and January 1990.



Source: Runzheimer International

FINANCIAL DIGEST

Marcus posts increase in net income

MILWAUKEE — Higher occupancy rates in its Budgetel Inns division and higher traffic at its movie theaters led to a 50-percent increase in third-quarter net income for the Marcus Corp., a diversified hospitality, entertainment and restaurant company.

The company reported a $919,000 profit on revenues of $38.5 million, a 4-percent increase, for the period ended Feb. 1.

For the 36 weeks Marcus Corp. made $7.5 million profit on revenues of $123.1 million.

The company, which operates 77 restaurants, including Kentucky Fried Chicken, Big Boy, Captain's Steak Joint and a single Pancho O'Mally's unit, does not separately report divisional income.

Marcus Corp. said it closed 17 restaurants during the quarter in preparation for the development of its new Applebee's franchise.

Besides the restaurants, Marcus Corp. operates 151 movie screens, 74 Budgetel Inns, the Pfister, Marc Plaza and Sheraton Mayfair hotels in Milwaukee. All of the company's operations are based in the Midwest.

Applebee's pulls in 4th-Q profit

KANSAS CITY, Mo. — Applebee's International overcame a year-ago loss to make a profit of $457,793 on revenues of $8.5 million, a 20-percent increase, for its fourth quarter ended Dec. 31.

For its annual performance, the company lost $47,000 on revenues of $29.8 million, a 23-percent increase over the 1988 results. In 1988 the company lost $877,000, largely as a result of management's buyout of the onetime W.R. Grace subsidiary.

The company operates 18 of the 113 units in the chain.

Pizza Enterprises buys into Noble Roman's

INDIANAPOLIS — Pizza Enterprises of Indiana Inc. said it has acquired 331,389 shares or 17 percent of Noble Roman's Pizza, a large regional pizza chain operator with about 96 units.

The shares were purchased between June 6 and Dec. 31 for $4.75 to $8 apiece.

Pizza Enterprises had been a nine-unit franchisee of Noble Roman's before selling the restaurants back to the franchisor before the share acquisition.

Pizza Enterprises said it purchased the stock for investment purposes and is currently no longer a restaurant operator.

Noble Roman operates approximately 30 units of the 96-unit chain in five Southern and Midwestern states.

Valhi to buy remainder of Sybra Inc.

DALLAS — In an exchange of parent company stock for its subsidiary's stock, Valhi Inc. will acquire the 3 percent of Sybra Inc. it does not own and take the Atlanta-based Arby's franchisee private.

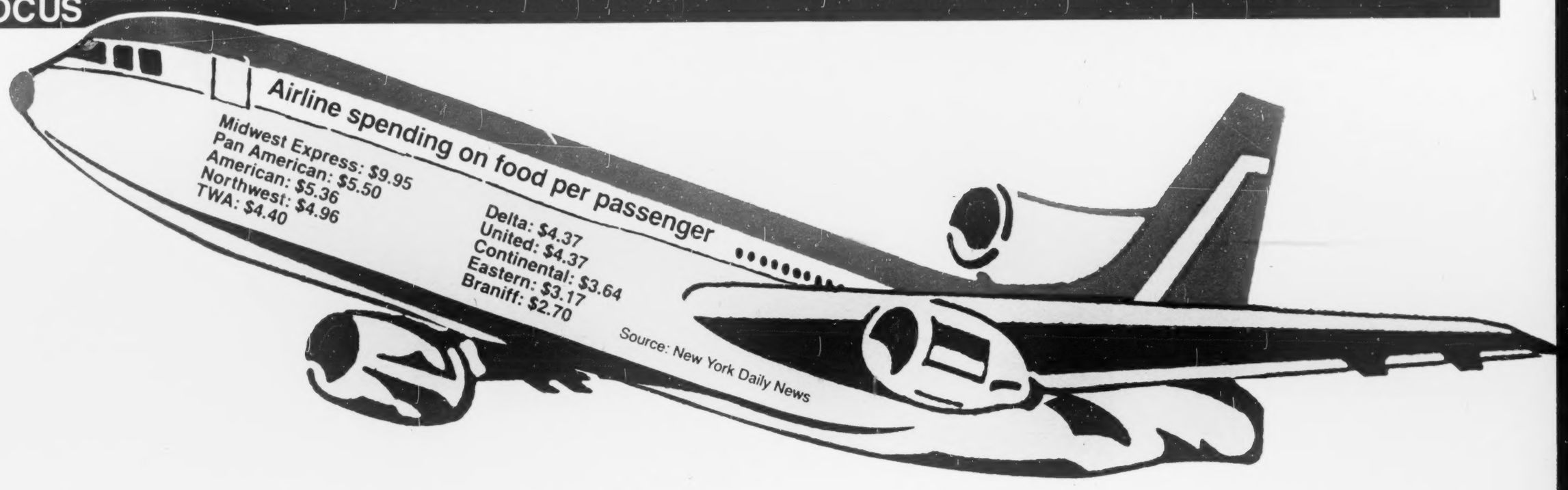
Sybra currently operates 152 Arby's units.

In the stock exchange Valhi will offer 1.6 Valhi shares for each of the 79,292 outstanding shares of Sybra stock, completing a cash offer made a year ago when all but the 3 percent came in.

The transaction gives liquidity to Sybra's 50 remaining shareholders, who are mostly employees, and permits the company to discontinue public reporting, said Sybra president Charles Hyslop.

Valhi Inc. is a holding company for Dallas investor Harold Simmons. His brother Glenn Simmons, a Valhi Inc. vice chairman, became chairman of Sybra a year ago when Hugh Shurtleff retired.

FOCUS



Midwest Express soars with gourmet cuisine

MILWAUKEE — Maine Lobster, French wine and freshly baked chocolate-chip cookies at 30,000 feet?

That's what patrons are served when they fly Midwest Express, a small carrier, based here, that has shattered the myth of bad airline food with its gourmet approach to passenger feeding.

The 6-year-old airline, a wholly owned subsidiary of Kimberly-Clark, spends an average of $9.95 per passenger per meal, about twice the average for other domestic airlines, yet ticket prices stay competitive.

"People love it," says John Ferrer, dining services manager at Midwest Express. "We give them a reasonable meal, and that's another incentive for flying with us."

Midwest Express serves a combination of hot and cold items on one plate, such as a filet mignon with a cold half-lobster, chilled breast of pheasant with hot onion soup, a hot seafood Creole with a chilled beef Wellington or a chilled stuffed breast of turkey served with hot Georgia peaches.

Meals are served on china and come with cloth napkins and non-plastic utensils.

Lobster is served in eight out of the 37 menu cycles and is featured in such dishes as chilled lobster medallions, lobster thermador and lobster salad Parisienne.

"We feel that many business passengers get the chance to have only one meal a day," says Ferrer, "and we like to make sure that the meal is a substantial — as well as an unusual — one." Ferrer notes that 75 percent of Midwest customers are business travelers.

To accompany the first-class meals, the airline serves complimentary French wines during lunch and dinner and Champagne during breakfast flights.

A typical breakfast features chilled Champagne, Florida orange or grapefruit juice, sliced fresh fruit, eggs Benedict or a spinach soufflé omelet and potatoes au gratin, a cranberry muffin, coffee, tea or milk.

Ferrer goes on to say that the menu planning, which Midwest works out with contract feeder Sky Chefs, is skewered toward the unusual. "We like to give our passengers an opportunity to try something new," Ferrer explains, "foods that they are unfamiliar with.

Out-of-the ordinary dishes include oyster friccasée; cocotte, a French casserole dish that is filled with Hungarian goulash; veal zucchoisse; buttered spätzle; mousse au chocolat; linzer tortes; and Baumkuchen, a chocolate German cake, translated as "tree cake," baked in layers to resemble the rings of a tree trunk, iced with barklike chocolate.

One of the unique items is chocolate-chip cookies, which flight attendants bake en route from preformed dough in the airplane's high-heat convection ovens. Passengers can even have a glass of milk with their cookies.

In conjunction with an annual ethnic festival in Milwaukee, the airline offers a series of ethnic meals, including Irish, Italian, African, American Indian, Mexican, German and Polish dishes.

> Meals are served on china and come with cloth napkins and non-plastic utensils.

"Sometimes we get first-time flyers, who think it's a joke when the flight attendant tells them what's on the menu," Ferrer notes. "They just can't believe it."

Kimberly Clark, makers of Huggies diapers and Kleenex, spun off its KC Aviation division 21 years ago, which refurbished and maintained other companies' aircrafts. After the government deregulated airlines in 1978, Kimberly formed Midwest Express and decided to cater to the business traveler.

All service is first class, seats are 6 inches wider than those of most other airlines and there is no middle seat. The commercial airline, which services half of its customers out of Milwaukee, flies to 18 cities. *P.O.K.*

AIRLINE TERMINAL FOOD PRICES

	Hamburger Platter	Hot Dog	16 oz. Soda	Häagen Dazs Cone (1 scoop)	Hot Apple Pie
Host Intl. (JFK, LaGuardia, Newark A&B)	$4.95	$2.25	$0.99	$1.25	$1.25
Concession Air (Terminal C, Newark)	3.30	1.85	0.90	1.65	0.95
Miami	4.20	2.60	1.19	1.35	1.57
O'Hare	3.50	2.30	1.00	1.25	1.25
Houston	3.65	2.00	1.10	N.A.	1.35
Logan	5.95	2.00	0.79	1.35	2.25
Los Angeles	4.65	2.45	1.20	1.40	1.85
Dallas/Ft. Worth	4.40	2.65	1.25	3.99	1.60

Source: New York Daily News

Concession Air puts no limits on foodcourt

(Continued from page 27)

gional vice president for Concession Air. "We offer variety. We have a local concept, a health-oriented one and the best pizza and hamburgers."

The company proposed the entire package to Continental, went out and recruited developers and then brought other concepts in as subtenants.

When Concession Air bid for the contract, a clause stressed that women, locals and minorities be included in the overall scheme of things. Ruth Ann Menutis, runs The Grove, and minorities operate the Wok n' Roll, Everything Yogurt and McDonald's concepts.

Concession Air wanted to include a local business operator in the package, and since diners are popular in the area, they pitched the idea to local diner operator Steve Nicoles. "I was very excited when I saw the plans," explains Nicoles, who owns another diner in Clifton, N.J.

"People love it," Nicoles says. "We get compliments every day from people, especially at breakfast." The '50s-style diner is the only diner in a U.S. airport.

The diner is a subtenant to Concession Air and rents out the space from it. McDonald's, Everything Yogurt, the Grove and Famous Amos also own and run their operations and pay rent and overhead fees to Concession Air.

Concession Air is a franchisee of the Nathan's, Sbarro, Au Bon Pain and Häagen Dazs concepts. It also owns the Concession Air-brand deli and the foodservice in the eight cocktail lounges.

With so many operations, prices stay competitive. "Consumers are becoming better overall shoppers dollarwise, qualitywise and healthwise," Boudreau says. "They are still willing to spend if you provide them with more than they expect — one or two choices won't do it any more."

According to a poll by the New York Daily News, Terminal C sells the cheapest hot dog, hamburger platter and slice of hot apple pie compared with eight of the major airports in the country.

The food concepts are set up near a bank of 20 to 30 gates, where a bulk of the international wide-body flights take off and land. Retail shops and a few bars sit at concourse ends, while most of the food concepts are positioned in a food court at the center of the terminal.

"The international travelers usually get to the airport significantly earlier so they don't miss their flight," Boudreau notes. "Your average person is here 30 minutes ahead of time."

Boudreau reports that there is hardly ever a long wait. McDonald's, which is the biggest retailer, has 12 registers, Nathan's has five and Sbarro has four. "Time is the biggest element; that's why fast food fits right in," Papazoglou explains.

The Terminal C operation opened in May 1988, with carts parked outside of the prospective sights since construction was not finished yet. The place was fully operational in May 1989.

Although Boudreau would not disclose overall revenues, he did say sales exceeded initial projections and increased 15 percent compared with those of last year.

Concession Air is looking forward to a profitable 1990 at Terminal C. "We anticipate growth because Continental is growing," Boudreau remarks.

Labor doesn't seem to be that much of a problem. "A lot of people like to be associated with an airport," Boudreau concludes. "There's an excitement about people going on vacation that rubs off on the employees."

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THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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NRN Photo

Veni Vidi Vici executive chef Joey Venezia, left, stands outside with Marcella Hazan, owner of the 22-seat Atlanta restaurant.

Hazan seeks to conquer midtown Atlanta with new Veni Vidi Vici

by Jack Hayes

ATLANTA — Italian culinary expert Marcella Hazan has put her money and recipes into a 200-seat restaurant showcasing the authentic flavors and home-style dining customs of Italy.

Veni Vidi Vici, which is Latin for "I came, I saw, I conquered," the famous words of Julius Caesar, opens this week on 14th Street, bringing the Italian food of Venice, Portofino and Bologna to Atlanta's booming midtown.

Renowned cookbook author Hazan, together with her wine expert husband, Victor, is both a consultant to and an investor in the operation. Other investors include Janet Colgin, formerly operations director of Dakota's Restaurants Inc. in Dallas; Toronto-based Nestlé Enterprises Ltd. chair-

(See VENI, page 58)

Calif. restaurant boom: Enough is enough!

Operators fight to stay alive in oversaturated market

by Richard Martin

LOS ANGELES — Among California restaurateurs the term "saturation" conjures up a much different image from one of tide-washed shores or the fog-drenched Golden Gate.

According to analysts and operators, California has grown increasingly saturated with dining-out options, and restaurateurs swamped by competition are becoming as frustrated as motorists trapped on a log-jammed freeway.

Simply put, the state's booming population isn't expanding fast enough to sustain sales and profit growth rates for many restaurants caught in a tangled thicket of rival operations.

Restaurateurs report that the bogged conditions are being aggravated by ongoing declines in high-margin liquor sales and by higher labor costs that stemmed from the state's 27-percent hike in the minimum wage in 1988.

As a result, bottom-line

Michael McCarty

Thomas L. Gregory

pressures are mounting at establishments vying in the glutted and sluggish marketplace. The squeeze is on at the typical operation, even though statewide growth in aggregate foodservice sales and profits has markedly outpaced the national average.

The National Restaurant Association predicts that inflation-adjusted sales for California's $27 billion industry will grow 1.8 percent in 1990, a hair's breadth ahead of the national figure but down from the state's estimated 2.9-percent real gain last year.

"Things are soft and stag-

(See CALIFORNIA, page 59)

INSIDE

Fast food can stand tall
Charles Bernstein/Page 31

Supermarkets vs. restaurants
Focus/Page 37

NRA urges FICA tip tax repeal
Opinion/Page 34

EARTH DAY FALLOUT

Litter control permits would tax New York City operators

by Paul Frumkin

NEW YORK — New York City foodservice operators offering take-out could find themselves facing additional expenses and red tape if a recently introduced City Council tax plan passes through the State Legislature in Albany.

In an effort to close New York City's gaping $2 billion budget gap, the City Council has proposed a number of new taxes, one of which would require all local restaurateurs and retail operators offering take-out service to purchase litter control permits.

The proposal was patterned after a similar bill passed into law last year in Rhode Island. But that law, which took effect Jan. 1, requires that all restaurateurs

(See LITTER, page 58)

Market for recycled foam could form within a year
See page 42

Burger King tests composting
See page 44

McDonald's battles critics with $160M recycling plan

by Peter Romeo

OAK BROOK, Ill. — In a sharp rebuke to critics who have condemned McDonald's as an environmental villain, the foodservice giant has vowed to stimulate recycling by spending $160 million this year on building materials and paper goods made from reclaimed refuse.

The nation's largest restaurant chain also disclosed that it is already charting the nationwide expansion of a pilot polystyrene recycling program in New England. The system requires customers to sort their trash when they bus their trays.

The plans to foster recycling were divulged as the nation was preparing for Earth Day, a nationwide celebration

(See MCD, page 4)